

AIRWAYS CORPORATION OF NEW ZEALAND LIMITED
MINUTES OF BOARD OF DIRECTORS
OF AIRWAYS CORPORATION OF NEW ZEALAND LIMITED
HELD BY ZOOM VIDEO CONFERENCE
ON THURSDAY 21 OCTOBER 2021, 9.30 AM TO 3.00 PM

Present: Denise Church (Chair), Mark Pitt (Deputy Chair), Darin Cusack, John Holt, Lisa Jacobs, Paula Jackson, Mark Hutchinson and Nicola Greer

Apologies: Nil

In attendance: Graeme Sumner, Chief Executive Officer
James Young, Chief Financial Officer
Katie Bhreatnach, GM Customer and Regulatory Partnerships
Kim Nichols, Head of Safety & Assurance
Sharon Cooke, CEO Airways International Ltd
Mark Daldorf, Head of People & Capability
Jamie Gray, Head of Public Affairs
Ed Overy, Chief Information Officer
Katie Wilkinson, Head of Air Traffic Services

ITEM 1.0 BOARD MATTERS

Item 1.1 ***Continuous Disclosure***

No Matters raised.

Item 1.2 ***Register of Directors Interests***

The Board **noted** the amended Register of Directors' Interests.

Item 1.3 ***Minutes of Board Meetings held 28 September 2021***

The Board **approved** the minutes of the previous board meeting held 28 September 2021 as a true and correct record of that meeting, (moved by John Holt, seconded by Mark Hutchinson).

Item 1.4 ***Matters Arising and Action Items from the August Meeting***

The Board **noted** the Matters Arising and Action Items from the August meeting.

Item 1.5 ***Scene Setting by the Chair***

Directors and executives broke out into smaller groups to discuss what we have learned and what we should pay most attention to going forward. Key themes included:

- People, wellness and adaptability
- Importance of priority setting – achieve focus and the right pace
- Maintaining an outlook to the long term horizon
- Slow down to go faster
- Ensure that options are fully considered – probe and challenge before execution, maintain agility to shift between multiple options
- People and culture are key
- Sustain focus on the core business.

Justin Tighe Umbers joined the Board meeting.

ITEM 2.0 STRATEGIC PAPERS AND PRESENTATION

Item 2.1 ***Voice of Customer guest Speaker, Justin Tighe Umbers***

Justin Tighe-Umbers presented to the Board on the state of the Airlines in NZ at present:

- 98 percent reduction in passenger volumes, back to 1960s levels.
- Only 12 of the 30 international airlines continue to fly passengers to NZ. Domestic network has been best operating in the world due to our elimination strategy, but is currently down by over 50% due to the Auckland lockdown.
- We now can't see our way out of alert level 3 and that uncertainty is taking its toll on the sector – losing half of the volume out of Auckland.
- Currently trying to keep staff gainfully working but it is challenging.

- Internationally cargo has been the saving grace and the govt has done a good job with the MIAC scheme. 12 participant airlines that get topped up to cover operational costs to ensure flow of cargo – goes through to March 2022.
- Now the rest of the world is opening up in Europe and North America for vaccinated travellers, NZ is a comparatively difficult market. Economic viability is a challenge, and there are a lot of parts of the sector hanging on by a thread at present.
- Overall cost situation for airlines – operate on user pays model. This allows efficiencies in the sector and service outcomes working well across border agencies and air navigation services, however cost recovery is challenging when the model is broken.

Strong support from government initially through to the end of last year. How this is managed when volumes are low is now the issue. Border levy has gone up 110%. Terminal charge 18%. Landing charges 1.8%. Air navigation so far 3%. The traveller may also have an international visitor levy from government (currently being mooted), self-isolation charges and international visitor levy. Likely to be much more expensive to travel to New Zealand than elsewhere internationally.

At a sector level, how do we make this work, so that we can get as many flights as possible and all recover.

Airlines are looking for the following out of their relationship with Airways:

- Operational service continuity.
- Airlines are appreciative of service delivery. Airlines don't take this for granted but they don't express gratitude enough.
- Challenges on the horizon for workforces to protect against covid as its in the community next year.
- Next thing is close collaboration as airlines and airways have a symbiotic relationship in the sector. Need to work closely together and understand one another's challenges, goals and objectives, so we can strike the right balance.
- Willingness to invest in what's needed as well as keep costs down. Off to a good start with the Service Framework consultation. The upcoming consultation is important. Understanding the framework and finding our way through will be critical.
- Solid engagement around Ohakea and hugely appreciative of Airways support to help keep that running.

- In terms of future investment we will have a sit down and look at what's had to be parked up and what is at the top of list – digital towers will be a key part of the conversation, investment in ATM, PSR etc.
- The Board thanked Justin for his insights and attendance.

Justin Tighe-Umbers left the meeting.

Item 2.2 ***Voice of Customer Discussion***

Directors and management had a broader conversation incorporating the wider view of customers and other stakeholders. It's important to understand who is the customer, and what does a reset look like.

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KW noted that there are opportunities to reconnect with our network, but complex scenarios – we need to understand stakeholder needs. We are a part of the puzzle for recovery, and there needs to be discussion involving airports about what we should invest in going forward, setting up to offer our expertise to deliver customer value in both safety and efficiency. We need to be able to navigate through lumpiness in demand. A working together approach on industry recovery is likely to be fruitful, noting that pricing connects to the capex agenda. A question considered was the need to lead with questions rather than solutions – seeking how do we enable the sector participants to reach their goals. As an enabler, we help to hold the system together.

Jamie Gray noted that while Justin spoke to a collaborative approach with BARNZ, an honest view is that we have not been successful otherwise in our relationships with customers, partners and stakeholders. We need to re-map our customer and stakeholder relationships, reidentify these relationships and have clearer principles underpinning each. We need to seek feedback about our collaboration approaches. Jamie Gray also offered that we need to focus on executing projects that are core to mission moving forward.

Item 2.3 ***Airways Vision Refresh***

The CEO gave a presentation on a proposed new vision and cultural alignment, which was an output of a recent ELT strategy session.

Directors acknowledged the work and thinking, but considered that this remains a work in progress. In particular, Directors wanted more time to discuss the refresh, noting that more was required on the vision / strategy statement than just how it will be used. Directors expressed

concern about the statement being sufficient to give a clear sense of where our strategy is taking us. What is the future state we are striving towards and what are the key things that will get us there? Are we clear enough about the role that Airways has, and what do we want to be? How can we add the most value in the sector, and achieve our strategic objectives.

Some of the wider questions addressed in this session included economic outlook, labour shortages, workforce life choices; the “brand” of the aviation industry, what employees of the future will seek, airspace changes, social change. Our value proposition is about getting people connected. It was noted that our all of staff calls are attracting many questions about our future, about post pandemic directions, and how we are affected by what is happening in other parts of the world.

Item 2.4 ***Living in an endemic world***

Management provided a detailed examination of the issues being addressed across Airways, and the process for the critical path for policy development around vaccination status of employees. The Board noted that a thorough approach is being taken, reflecting the wellbeing of employees and the need to manage around potential disruptions as Covid becomes endemic in the community.

The Board **noted** that it wants clear visibility on terms of reference and process that the Covid committee being stood up will follow.

WRAP UP OF DAY 1 BY CHAIR – CLOSE OF MEETING

It was noted that Day 2 would begin with a reflection on Day 1 discussion.

There being no further business, the meeting concluded at approximately 2:43 PM.

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Chair

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Date